



Feb 3

The Failures of Privatization

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Philosopher George Santayana defined fanaticism as “redoubling your effort when you have forgotten your aim.” If asked to provide examples, one would need only point to that religiously-followed precept of neoliberal economists, namely the belief that the private sector is more efficient than the public sector. It is drilled into the heads of the masses time and time again by politicians, bureaucrats, and members of the intelligentsia.

As he oversaw the deregulation of the British economy, former British Prime Minister Tony Blair beamed, “There is no mystery about what works: an open, liberal economy, prepared constantly to remain competitive.” Australian minister Paul Fletcher also heaped praise: “The reality is that government employees around the world are known not to be as efficient as the private sector.” Daniel Schneider of the American Conservative Union writes, “Conservatives understand the importance of trade and genuine free-trade agreements.” And naturally, Ronald Reagan: “Government is not the solution to our problem; government is the problem.”

The message is clear: the slow, unimaginative government must unleash the power of the glorious free market to make systems more efficient. It’s an easy, marketable sell to make. But is there any merit to it? On the contrary, it seems that all available evidence suggests that privatization fails in most areas that are of significance to the public.

A relevant case study is that of Carillion, a British multinational that collapsed under £1.5 billion in debt on January 15, leaving the fates of its 20,000 U.K. employees hanging in the balance. It had its grubby fingers in many pies, from managing prisons and housing military personnel to providing school meals and hospital beds. It should be mentioned that they weren't particularly good at providing these services. One prison run by Carillion was described as "overcrowded and inhumane" by an independent review, with blocked toilets, leaking sewage, and other broken facilities--certainly makes me more grateful for my dorm room.

Postmortem analyses reveal that despite knowledge of the deteriorating financial situation, U.K. Transport Secretary Chris Grayling continued to hand contracts out to Carillion. Additionally, it appears that the company had not only relaxed bonus conditions for its top executives, but also paid dividends upwards of £500 million to shareholders in lieu of filling their pension shortfall. Such moves have been described as "greedy and disgraceful." What a surprise.

As one can imagine, the aftermath of the implosion of Carillion has been messy. The government has scrambled to contain the fallout, with Prime Minister Theresa May assuring employees working on public service projects that they would be paid, but private-sector contractors get a mere two days of support from the government.

Firefighters are now on standby and are delivering school meals. Thirty thousand small businesses that Carillion owed money to and were left in the dust have been given breadcrumbs by banks, with the plans offered to them described as "sticking plaster."

But Carillion is only a symptom of a failed system of slow privatization, predicated on the economic mumpsimus described at the start of this article. PFI, or private finance initiative, contracts handed out to contractors will result in taxpayers footing a £200 billion bill, with the National Audit Office concluding that "privately financing public projects can be 40% higher than relying on public funds."

Privatization certainly hasn't only failed in the United Kingdom. There are plenty of instances offered in the United States that lead to the same conclusion.

Take the most obvious example, that of healthcare. The problems with the NHS over in Britain look like nothing compared to the wretched system in the States. The heavily privatized system in the U.S. is the most expensive among those in the developed world. \$3.3 trillion was spent in 2016, nearly a third of which is worthless and wholly unnecessary. 56 million adults struggle with medical bills. One in three Americans forego recommended visits to the doctor or purchasing prescriptions. The price of surgeries ranges from

three to ten times higher than in public healthcare systems in other countries. No wonder Americans view the healthcare industry with immense unfavorability.

What about Medicare? Well, projections from both the Kaiser Family Foundation and the Congressional Budget Office show the average annual per-capita growth rate of Medicare will be less than that of private insurance plans. It is incredibly popular and has been traced to increased life expectancy in Americans. The same can be said for Medicaid.

Alternatively, one could look at vital components of our nation's infrastructure. Water privatization has led to increased costs and a multitude of collapses and abuses, in Georgia, California, Illinois, New York, Texas and more. Internet speeds are markedly slower and more expensive in the U.S. than in other countries, such as South Korea. Transportation privatization experiments failed miserably in California, Pennsylvania and Illinois. Even the Department of Motor Vehicles (DMV), perhaps the embodiment of government gloom, ran more efficiently when returned to state control after New Jersey tried to privatize it. The incredibly profitable private prison system has led to abysmal conditions and means the U.S. has the dubious distinction of having the highest incarceration rate in the world.

What are those in power doing with this evidence? To expect prosecution of those responsible for disasters or *mea culpas* of the architects of these unsuccessful policies is too much to ask, but surely a shift in policy, away from unreservedly handing over state resources to the private sector, isn't too much to ask for. Nope.

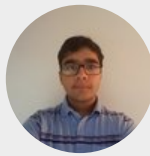
Conservatives in the U.K. soldier on with their plans to privatize crucial government services. Here at home, the Trump administration is only accelerating the failed agenda, from privatizing air traffic control to plans to cut Medicare and Medicaid. The governor of Puerto Rico announced sweeping plans to privatize power systems, even though the poor response to Hurricane Maria can be attributed to austerity measures.

And it is here where Santayana's words ring true: Fanaticism consists in redoubling your efforts when you have forgotten your aim. Need I say more?

Economy

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